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To
DOE/NARUC Energy (Market Access) Partnership
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Introduction

On behalf of the Department of Energy, I would like to share with you information about the Department's Natural Gas Market Access Business Development Program for Women and Minority-Owned Business Enterprises (WMBE's). The goal of this Program is to increase minority business participation in the natural gas industry. Working with all segments of the industry, NARUC and State Commissioners, DOE hopes to create a natural gas marketplace open to all qualified entrepreneurs and containing no unnecessary impediments to minority business participation. DOE welcomes the support from all segments of the natural gas industry-- producers, marketers, end-users, banks, pipelines, LDC's, State Legislatures, and State Commissioners.

Overview

Energy is the life blood of the nation. The availability of energy at reasonable cost is critical to the economic activity of the country. In 2000, U.S. consumers spent over \$600 billion on energy (8% of gross domestic product--GDP) with over \$307 billion spent on natural gas and oil (5 percent of GDP). The domestic natural gas industry is a important source of capital formation, technological development, and employment in the American economy.

Because the natural gas industry is a very capital intensive industry-- the exploration and production costs for U.S. gas and oil resources are high. Access to capital, even for major producers and marketers can be difficult. For the WMBE marketer, raising capital remains one of the highest priorities for minority marketers.

Economic inclusion is the key to expanding the marketplace and economic growth for America. The Department of Energy is taking notice. We are focusing the DOE WMBE program on access to capital and access to supply and we need the support and full cooperation of the NARUC/DOE Energy (Market Access) Partnership.

We are encouraging banking and thrift institutions from minority banks to Wall Street banks to utilize their financial, technical, and administrative resources necessary to expand the marketplace for women and minority-owned businesses.

We believe diversity is in America's best interest and we believe energy supplier diversity is in corporate Americas' best interest and in the regulatory practice of State Commissions best interest.

A diverse and increasingly competitive natural gas marketplace requires industry, State Commissions, and lending institutions to not only utilize new and novel financial instruments to service it but also State Commissions to expand opportunities for minority marketers through their regulatory process.

Having a diverse supplier base means more than just expanding the list of WMBE vendors with whom industry and LDC's do business. It also means purchasing a significant dollar amount of energy supplies from these WMBE marketers. Purchasing competitive priced natural gas or other competitive energy supplies from WMBE vendors will dramatically reverse this equation.

For example, in 2000, SEMPRA utilities (SoCal and San Diego Gas) purchased \$130 million or 12% of its onshore supply of natural gas from WMBE suppliers.

The financial instrument that created this opportunity for WMBE's and

SEMPRA was The Funds Transfer Agent Agreement (FTA). And I am very pleased to recognize Mr. Will Johnson, President, Visage Energy, and Union Bank of California for creating this innovative financial capital credit instrument.

The FTA is now nationally recognized by banking institutions, the gas industry, and the Gas Industry Standards Board (GISB). The FTA transfers credit risks for natural gas from the marketing company to the end-users of natural gas such as utility companies. Through the FTA Union Bank of California acts as a financial intermediary for gas marketers and process payment transfers through "blocked" accounts without incurring any credit risk to the bank (i.e., the bank is only required to pay out the funds once the funds have been received from the end-user).

The FTA provides women and minority-owned natural gas marketers

access to natural gas markets that normally would be closed to them because of their inability to meet the minimum credit requirements of the natural gas producers.

DOE, NARUC, State commissions and legislatures, the natural gas industry from producers to end-users, community leaders, and bankers must work together to ensure that the opportunities in the energy marketplace remain open to ALL qualified entrepreneurs, with no artificial or unnecessary impediments to minority business participation. I hope that the DOE/NARUC Energy (Market Access) Partnership will increase opportunities for WMBE's in the energy marketplace.

Thank you.